

State of Colorado Retirement Plan Options: A Comparison

Federal law requires that all employees contribute either to a qualified retirement plan or Social Security. State law requires that most state employees join PERA, however, some 500 elected and appointed officials and staff whose tenure is tied to the political process are eligible to choose between PERA or the State 401(a) Defined Contribution (DC) Plan, also referred to as the State DC Plan, both qualified retirement plans.

Definitions: (Below, in general terms, are the provisions of the State DC and PERA)

- **State DC** – In the State DC Plan, your contributions and those made by the State are sent to a tax-deferred investment account administered by a private company (VALIC or ICMA). You determine how these funds are to be invested. Your retirement benefit is equal to your total accumulated account balance, i.e. the amount that has been contributed by you and the State plus any gains, losses, and expenses.
- **PERA** – PERA is a hybrid defined benefit plan. All contributions join a pooled investment trust managed by PERA. Your retirement benefit is the highest of one of these two calculations: (a) your PERA contributions, a fixed interest rate of return (6.8% on January 1, 2004) and a matching amount of either 50 percent or 100%, depending on when you withdraw the account, or (b) a lifetime benefit calculated at 2.5 percent of your highest average salary multiplied by the number of years of service, with some adjustments based upon your age at retirement. Unlike the DC plan, the benefit is not directly based on how much was contributed on your behalf. PERA also includes some safety net features should you die or become disabled before retirement eligibility, and cost-of-living increases and health care benefits. If you terminate employment before retirement, you may withdraw your account plus interest and receive a 50 percent matching amount.

Eligible Participants:

"Eligible employee" means a member of the general assembly, the governor, the lieutenant governor, the attorney general, the chief deputy attorney general, the solicitor general, the secretary of state, the deputy secretary of state, the state treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of state appointed by the governor, an employee of the senate or house of representatives, any employee who commences employment with an employer on or after January 1, 2006, and has not been a member or retiree of the association or an active participant in the defined contribution plan established pursuant to this part 2 during the twelve months prior to the date that the or she commenced employment, and a non-classified employee of the office of the governor, for whom a defined contribution plan has been established pursuant to the provisions of this article" [C.R.S. 24-52-202 (5)] "Employer" shall not include any state college or university as defined in section 24-54.5-102(7), any institution under control of the board of regents of the University of Colorado, or an institution governed pursuant to part 5 of article 21 of title 23, C.R.S. (Effective 01-01-06)

Contribution Rates:

The employee and employer contribution for the defined contribution plan is the same as for PERA - employee contribution is 8% of salary and the employer contribution is 10.15% of salary (FY2005). You may not contribute to both retirement plans and you may not contribute more than the employee share of 8% under this plan. If the employer rate for PERA changes, the rate will also be changed for the State DC Plan. If you are enrolled in the State DC Plan, you may voluntarily also join the State 457 Deferred Compensation Plan. If you are enrolled in PERA, you may voluntarily join the State 457 Deferred Compensation Plan and/or PERA's 401(k) Plan.

Employee Options at Open Enrollment:

- You may continue in PERA or your State DC Plan (outside of open enrollment period, you must continue with PERA or the State DC Plan depending on what you chose at date of hire).
- During open enrollment (January each year), if hired prior to 01-01-06, you may join the State DC Plan if you are in PERA, or if you are in the State DC Plan, you may elect to join or return to PERA. If you are enrolled in the State DC Plan, you may elect to change the investment company with whom you wish to invest.
- If you are a new employee, hired before 01-01-06, and currently have a PERA account from a previous employer, you may leave your account at PERA and contribute to the State DC Plan or you may transfer your PERA account balance at the regular withdrawal rate to the State DC Plan (use a PERA *Refund Request* form inside the *Terminating PERA-Covered Employment* brochure to make this transfer).
- If you are enrolled in PERA, and hired prior to 01-01-06, you will have the option of enrolling in the State DC Plan during the annual open enrollment in January. If you enroll in the State DC Plan, you may join or return to PERA during the annual open enrollment in January.

This chart compares the main features of the two retirement plans available to eligible employees. The "right" choice for you will depend partially on your personal investment goals and objectives, long-term vs. short-term employment period, and how involved you want to be in choosing and monitoring your retirement investments.

	State Defined Contribution Plan- (ICMA and VALIC)	Modified Defined Benefit Plan (PERA)
Vesting	100% vested immediately for both employee and employer contributions.	100% vested immediately for employee contributions and a 50% matching amount, or 100% when retirement eligible.
Plan to Plan Transfers	<u>Transfer out:</u> 100% of account balance (EE+ER share) can be transferred between other qualified plans once employment has terminated; can be transferred to PERA if an active PERA member. <u>Transfer in:</u> any 401(a) plan account can be transferred in.	<u>Transfer out:</u> EE share + 50% + interest (6.8% after January 1, 2004) can be transferred to any other qualified plan after coverage/employment terminated if under retirement age. At retirement age, EE share + 100% + interest can be transferred. <u>Transfer in:</u> Purchase of service credit using qualified funds allowed.
Normal Retirement Age	55 years	50 w/30 years of service, when age + service equals 80 or more (minimum age 55), 65 regardless of age (Reduced benefits allowed at 50 w/25 years, 55 w/20 years, 60 w/5 years)
Disability Benefits	100% of your account balance is available to you should you qualify for disability as determined by the IRS. Disability coverage is also offered through State Employee Benefits Office at the non-vested rate. (Non-vested means not vested with PERA – at least 5 years of service). Legislative or session employees not eligible to join this disability plan.	Short-term disability benefits and lifetime Disability Retirement benefits included for vested employees with five or more years when determined to be disabled; no premium cost for this benefit. Supplemental disability coverage is also offered through State Employee Benefits Office at the vested rate. (Vested means vested with PERA – at least five years of service.)
Participant Directed Investments	Yes. However, you may choose only one vendor (either ICMA or VALIC) to invest with on an annual basis.*	No. All investments are directed by PERA.
Retirement Benefits	100% of account balance.	2.5% of highest average salary (3 highest years) for each year of service (Example: 75% w/30 yrs, 50% w/20 yrs) or monthly lifetime benefit based on member contribution account balance + 100% match and life expectancy.
Survivor Benefits	100% of account balance.	If member had one-year of service upon death, monthly benefit paid to survivors up to 50% of pay; if no benefits payable, 100% of employee contributions and interest plus 100% matching amount paid to estate or designated survivor.
Investment Options and Fees	*Both ICMA and Valic offer a choice of eight funds each from low risk to high. Fees vary by fund. Administrative fees, which vary, are also charged to participants.	PERA invests all trust funds. No fees are charged to members. Optional 401(k) has 10 funds plus six Life Strategy funds. Fee is \$1 per month for first 12 months, and \$1.50 per month after that.
Enrollment Periods -	<ul style="list-style-type: none"> New employees/appointees have 30 days to enroll. Open enrollment every January for DCPD participants to change investment companies, or to or return/enroll in PERA, or for PERA members to enroll in the DCPD. 	Upon employment, employee may elect PERA or DCPD if he or she does not have a PERA account. From February through December, if employee has a PERA account, he/she must remain in PERA. If no election form is completed by the first payroll, a deduction will automatically be taken for PERA. If employee enrolls in the DCPD within 30 days of employment, a payroll adjustment will be processed to reallocate the deduction.
Statements	Quarterly	Annually or upon request; available on PERA web site with use of PIN.
Matching Contributions from	No additional match. Employer: 10.15% effective 07/01/04 Employee: 8%	In 2004, legislation suspended the employer match as of May 2004 payrolls. SB04-132.

Contacts:

For general questions, contact your payroll or personnel administrator in your agency. For specific questions regarding PERA or State DC Plans, please use the contacts listed below.

PERA

The Colorado Public Employees' Retirement Association (PERA) has served Colorado's state employees for more than 72 years in providing a comprehensive range of benefits, including survivor and disability coverage, retirement and health care benefits, and several voluntary investment and insurance programs. The \$25 billion Association serves 181,000 public employees and pays benefits to more than 60,000 recipients, most of whom still reside in Colorado.

PERA
1300 Logan Street
Denver, CO 80203
Phone: 303-832-9550
Customer Service Center: 1-800-759-7372

Executive Director: Meredith Williams
Communications Director: Katie Kaufmanis, ext. 6114
Government Relations Director: Rob Gray, ext. 6581
Counselor: Bob Henson, ext. 6340; Linda Fishel, ext. 6377

Defined Contribution Retirement Plan Investment Managers

- ICMA-RC is an independent, not-for-profit corporation offering retirement plans exclusively for public employees. They have over 27 years of experience in meeting the needs of public employers and manage nationally over \$15 billion in assets. In Colorado alone, we administer nearly 300 plans with over \$700 million in assets, including the City and County of Denver and surrounding cities, towns, counties & special districts. ICMA-RC has Retirement Plan Specialists in Colorado to provide personal service.

ICMA Retirement Corporation
The Chancery
1120 Lincoln Street, Suite 709
Denver, CO 80203
Phone: 303-861-7457

Director: Gary Helm
Retirement Plan Specialist: Dawn O'Malley
Direct Line: 303-688-8576
Voice Mail: 1-800-735-7202 x5987
Customer Service: 1-800-669-7400
omalleyd@icmarc.org

- American General Retirement Services Company (AGRS) / VALIC is part of one of the nation's largest diversified financial services organizations with assets of \$124 billion and market capitalization of \$20 billion. Headquarters in Houston, the company is a leading provider of retirement services, life insurance and consumer loans to more than 12 million customers. AGRS / VALIC also has a network of Financial Professionals in Colorado to provide personal service.

VALIC
165 South Union Blvd., Suite 600
Lakewood, Co 80228

Financial Advisor: Warren Wieland
Mobile Phone: 303-882-3113
Voice Mail: 1-800-892-5558 x88032
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Fax: 303-988-1149

Financial Advisor: Corey Arnold
Office: 303-296-5039
Fax: 303-988-1149
Customer Service: 1-800-448-2542

State of Colorado Plan Administrator

- The State of Colorado Department of Personnel and Administration, Division of Human Resources provides staff for the State of Colorado Defined Contribution Plan. The staff monitor the contracts with the above vendors and administer the budget for this Plan.

Department of Personnel and Administration
Division of Human Resources, Employee Benefits Unit
1313 Sherman Street, Room 122
Denver, CO 80203

Plan Administrator: Suzanne E. Kubec
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